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> STATE OF MONTANA LEGISLATIVE FISCAL ANALYST

FINANCIAL-COMPLIANCE AUDIT FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1987

PERFORMED UNDER CONTRACT BY:

JAMES J. WOSEPKA
CERTIFIED PUBLIC ACCOUNTANT

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STATE OF MONTANA LEGISLATIVE FISCAL ANALYST 1983

FINANCIAL-COMPLIANCE AUDIT FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1987

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JAMES J. WOSEPKA
CERTIFIED PUBLIC ACCOUNTANT



### STATE OF MONTANA

### Office of the Legislative Auditor



STATE CAPITOL HELENA, MONTANA 59620 406/444-3122

September 1987

DEPUTY LEGISLATIVE AUDITORS.

JAMES GILLETT
FINANCIAL COMPLIANCE AUDITS

JIM PELLEGRINI
PERFORMANCE AUDITS

LEGAL COUNSEL:

JOHN W. NORTHEY

The Legislative Audit Committee of the Montana State Legislature:

Enclosed is the report on the audit of the Office of Legislative Fiscal Analyst for the two fiscal years ending June 30, 1987.

The audit was conducted by James J. Wosepka, CPA under a contract between the firm and our office. The comments and recommendations contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

The agency's written response to the report recommendations is included in the back of the audit report.

Respectfully submitted,

Scott A. Seacat Legislative Auditor



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## BLECTED AND APPOINTED OFFICIALS LEGISLATIVE FINANCE COMMITTEE

### 1985-1987

#### SENATORS

### REPRESENTATIVES

Jack Haffey, Vice-Chairman Delwyn Gage Mat Himsl George McCallum Pat Regan Fred VanValkenburg

Calvin Winslow, Chairman Francis Bardanouve Gene Donaldson Ron Miller Ray L. Peck Ted Schye

Judy Rippingale, Legislative Fiscal Analyst

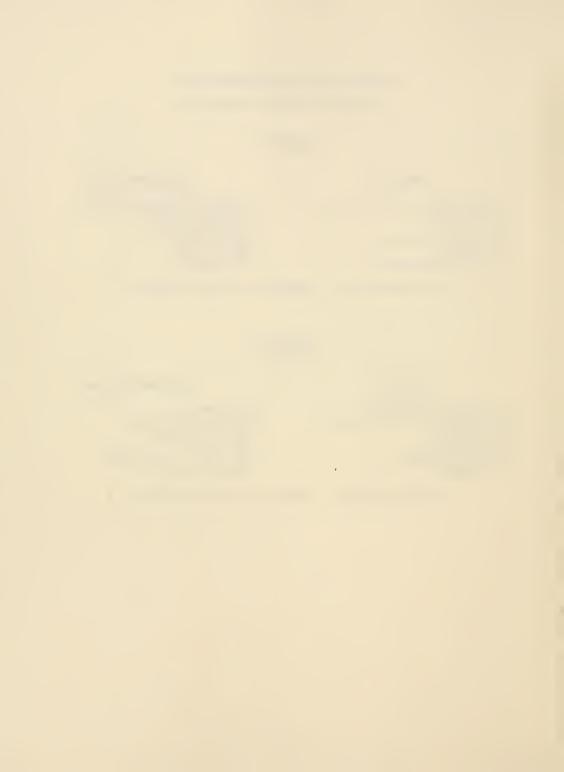
### 1987-1989

### SENATORS

### REPRESENTATIVES

Fred VanValkenburg Mat Himsl, - Vice-Chairman Pete Story Jack Haffey George McCallum Pat Regan Jack Mercer
Francis Bardanouve
Harold Poulsen
Ron Miller
Ray Peck, - Chairman
Calvin Winslow

Judy Rippingale, Legislative Fiscal Analyst



### INTRODUCTION

I performed a financial-compliance audit of the Legislative Fiscal Analyst for the two fiscal years ended June 30, 1987. The objectives of the audit were to: (1) determine if the financial schedules present fairly the office's results of operations for the two fiscal years ended June 30, 1987; (2) determine if the office complied with applicable laws and regulations; and (3) make recommendations for improvement in the management and internal controls of the office.

I thank the staff of the Legislative Fiscal Analyst for their cooperation and assistance during my audit.

### BACKGROUND

The Office of the Legislative Fiscal Analyst was created as part of the Legislative Finance Act, which became law in 1975. The office is under the supervision and control of the Legislative Finance Committee.

The Fiscal Analyst is responsible for the following:

- Analyzing fiscal records of state government, furnishing information bearing upon the financial matters of the state.
- 2) Estimating revenue from existing and proposed taxes.
- 3) Analyzing the executive budget and budget amendments.
- 4) Reporting to and assisting legislative committees and individual members on financial information.



#### INTERNAL CONTROL

I have examined the financial schedules of the Legislative Fiscal Analyst for the two fiscal years ended June 30, 1987. I issued my opinion dated September 18, 1987 on these schedules. As part of my examination, I made a study and evaluation of the Legislative Fiscal Analyst control system. My study evaluated the system as required by generally accepted governmental auditing standards for financial compliance audits. I classified the controls in the following categories:

- Expenditures/liabilities;
- 2. Property, plant, and equipment; and
- 3. Payroll.

My study included the control categories listed above. I applied alternative audit tests to property, plant, and equipment as I determined it was more efficient to expand substantive testing for this area. Through my study, I determined the nature, timing, and extent of my auditing procedures. I did not evaluate the control system to the extent necessary to give an opinion on either individual segments or the system as a whole.

management of the Legislative Fiscal Analyst responsible for establishing and maintaining a system accounting control. In fulfilling this responsbility, estimates and judgments by management are required to assess expected benefits and related costs of control The objectives of a system are to provide procedures. management with reasonable assurance that: (1) assets are safeguarded against from unauthorized loss disposition; (2) transactions are executed in accordance with management's authorization; and (3) transactions are recorded properly to permit the preparation of financial schedules in accordance with state accounting policies. Inherent limitations in any system of controls may cause errors or irregularities to remain undetected. The current system evaluation should not be used to project to future periods since the procedures may become inadequate compliance with them may deteriorate.

The limited purpose of our study described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of controls used by the Legislative Fiscal Analyst.



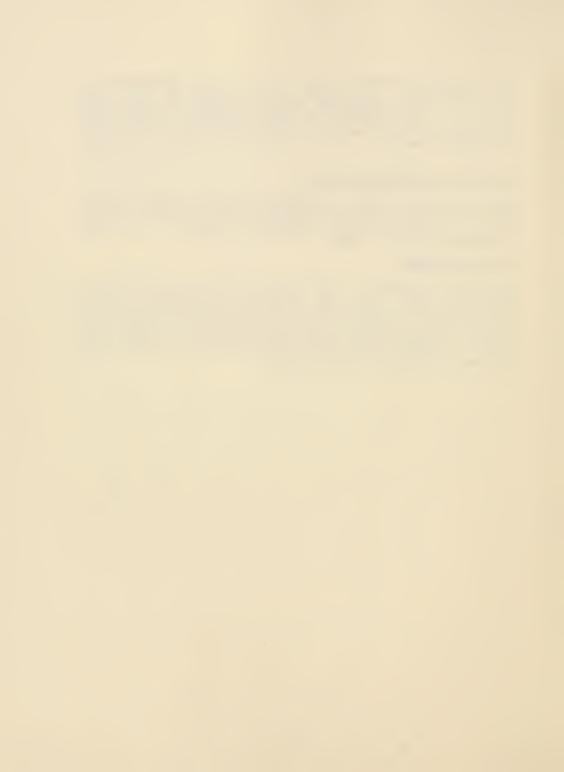
This report is intended solely for the use of management and the Legislature and should not be used for any other purpose. This restriction as to use is not intended to limit the distribution of this document which, upon acceptance by the Legislative Audit Committee, is a matter of public record.

### PRIOR AUDIT RECOMMENDATIONS

The Legislative Fiscal Analyst was last audited for the fiscal years ending June 30, 1985 and 1984, under contract with the Office of the Legislative Auditor. No audit recommendations were made.

### STATE COMPLIANCE

I reviewed compliance with state laws that could have a material impact on the financial schedules of the Legislative Fiscal Analyst. In my opinion, the Legislative Fiscal Analyst complied with the state laws and regulations tested. Nothing came to my attention that causes me to believe untested compliance issues are not in accordance with applicable laws and regulations.



## AUDITOR'S REPORT AND SCHEDULES OF AGENCY FINANCIAL ACTIVITY



### JAMES J. WOSEPKA

CERTIFIED PUBLIC ACCOUNTANT

P.O. BOX 1097 41 CENTRAL AVENUE SOUTH BEACH, NORTH DAKOTA 58621 (701) 872-4321 P.O. BOX 602 10 EAST MONTANA AVENUE BAKER, MONTANA 59313 (406) 778-2816

The Legislative Audit Committee of the Montana State Legislature:

I have examined the financial schedules of the Legislative Fiscal Analyst for each of the two fiscal years ended June 30, 1987 and 1986 as listed in the table of contents. My examination was made in accordance with generally accepted auditing standards, and Standerds for Audits of Governmental Organizations, Programs, Activities, and Functions, and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

As described in Note 1 to the financial schedules, the Fiscal Analyst's financial schedules are prepared in accordance with state accounting policy. Accordingly, the accompanying financial schedules are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In my opinion, the schedules referred to above present fairly the results of operations and the changes in fund balance of the Fiscal Analyst for the two fiscal years ended June 30, 1987, in conformity with the basis of accounting described in Note 1, applied on a consistent basis.

Baker, Montana September 18, 1987 James J. W ocepka



### OFFICE OF LEGISLATIVE FISCAL ANALYST SCHEDULE OF CHANGES IN FUND BALANCES FOR THE FISCAL YEAR ENDED JUNE 30, 1986

	General Fund
FUND BALANCE: July 1, 1985	80-
ADDITIONS	
Support from State of Montana	739,653
Total Additions	739,653
REDUCTIONS	
Budgeted Expenditures & Transfers Out	739,439
Prior Year Expenditure Adjustments	214
Total Reductions	739,653
FUND BALANCE: June 30, 1986	s <u>-0-</u>



### OFFICE OF LEGISLATIVE FISCAL ANALYST SCHEDULE OF CHANGES IN FUND BALANCES FOR THE FISCAL YEAR ENDED JUNE 30, 1987

	General Fund
FUND BALANCE: July 1, 1986	\$
ADDITIONS	
Nonbudgeted Revenue & Transfers In	8,440
Prior Year Expenditure Adjustments	6,683
Support From State of Montana	730,293
Total Additions	745,416
REDUCTIONS	
Budgeted Expenditures & Transfers Out	736,976
Nonbudgeted Expenditures & Transfers Out	8,440
Total Reductions	745,416
FUND BALANCE: June 30, 1987	\$



## SCHEDULE OF BUDGETED PROGRAM EXPENDITURES BY OBJECT AND FUND FOR THE FISCAL YEAR ENDED JUNE 30, 1986

	Legislative Fiscal Analyst
PERSONAL SERVICES	
Salaries	8442,883
Hourly Wages	4,912
Employee Benefits	<u>82,806</u>
Total	530,601
OPERATING EXPENSES	
Contracted Services	53,545
Supplies & Materials	21,364
Communications	10,820
Travel	11,451
Rent	9,424 10,867
Repair & Maintenance	9,720
Other Expenses Total	$\frac{9,720}{127,191}$
lotal	127,131
EQUIPMENT AND INTANGIBLE ASSETS	
Equipment	81,647
Total	81,647
TOTAL PROGRAM EXPENDITURES	\$739,439
GENERAL FUND	
Budgeted	\$774,504
Actual	739,439
Unspent Budget Authority	\$ <u>35,065</u>



## SCHEDULE OF BUDGETED PROGRAM EXPENDITURES BY OBJECT AND FUND FOR THE FISCAL YEAR ENDED JUNE 30, 1987

PERSONAL SERVICES Salaries Hourly Wages Employee Benefits Total	Legislative Fiscal Analyst \$476,350 5,422 90,343 572,115
OPERATING EXPENSES Contracted Services Supplies & Materials Communications Travel Rent Repair & Maintenance Other Expenses Total	81,846 9,151 9,225 6,546 9,962 4,857 1,778 123,365
EQUIPMENT AND INTANGIBLE ASSETS Equipment Total DEBT SERVICE	40,09 <u>1</u> 40,09 <u>1</u>
Installment Purchases Total	$\frac{1,407}{1,407}$
TOTAL PROGRAM EXPENDITURES	\$ <u>736,978</u>
GENERAL FUND Budgeted Actual Unspent Budget Authority	\$756,451 <u>736,976</u> \$ <u>19,475</u>



### OFFICE OF THE LEGISLATIVE FISCAL ANALYST

### NOTES TO THE FINANCIAL SCHEDULES JUNE 30, 1987 AND 1986

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Accounting

The Legislative Fiscal Analyst utilizes the modified accrual basis of accounting which is described in the Montana Operations Manual.

Under the modified accrual basis of accounting, a valid obligation exists when the related liability is incurred except for the following items which are also considered valid obligations under state accounting policy.

- If the appropriation provided funds to complete a given project, the entire amount of a service contract may be accrued even though the services are rendered in fiscal years subsequent to the fiscal year in which the expenditure is accrued.
- The anticipated cost of equipment is expensed in the fiscal year in which budgeted.
- Goods ordered, but not received as of the fiscal year-end, may be accrued if the purchase order was issued in the fiscal year in which the anticipated expenditure is to be accrued.

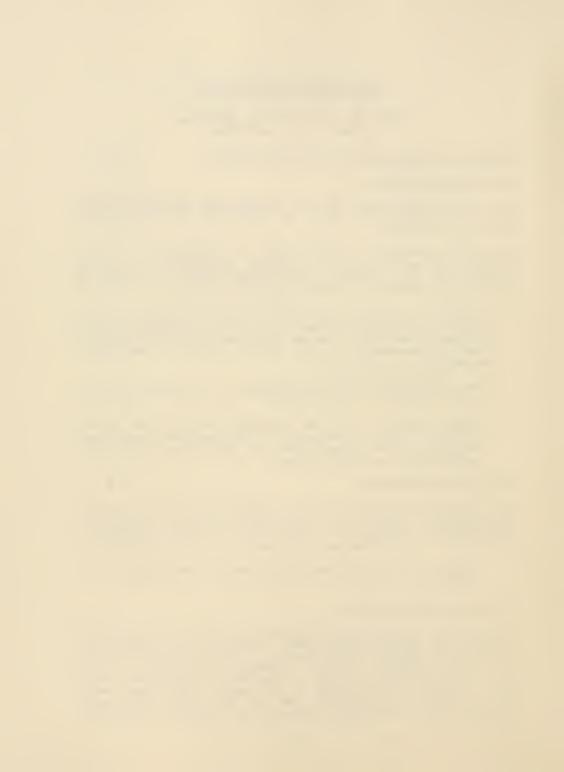
### Basis of Presentation

The financial schedules were prepared from the Statewide Budgeting and Accounting System (SBAS) without adjustments. Accounts are organized on the basis of funds according to State law. The following fund types are used by the office:

 $\underline{\text{General}}$  - accounts for all financial resources except those required to be accounted for in another fund.

### Vacation and Sick Leave

Employees are paid for 100 percent of unused vacation and 25 percent of unused sick leave credits upon termination. Accumulated unpaid liabilities for vacation and sick leave are not reflected in the financial schedules of the Legislative Fiscal Analyst. Expenditures for termination pay currently are absorbed in the annual operational costs of the office. At June 30, 1987 and 1986, the office had a liability for compensated absences of \$78,524 and \$70,801 respectively.



#### LEGISLATIVE FISCAL ANALYST

### NOTES TO THE FINANCIAL SCHEDULES (CONT.) JUNE 30, 1987 AND 1986

### 2. PENSION PLAN

Employees are covered by the Montana Public Employees' Retirement System (PERS). The office's contributions to the plan are shown below:

	Fiscal Year 1986-87	Fiscal Year 1985-86
PERS	\$30,520	\$28,422

Defined benefits under the plan are based on years of service and final average of the participants. The actuarial present value of vested benefits and the amount, if any, of unfunded past service costs for employees covered under the plan were determined actuarially sound as reported by the system's actuary at June 30, 1986.

### 3. GENERAL FUND BALANCE

The General Fund is a statewide fund. Agencies do not have a separate General Fund since their only authority is to pay obligations from the statewide General Fund as long as they stay within their appropriation limits. Thus, on an agency schedule, the General Fund begining and ending fund balance will always be zero.

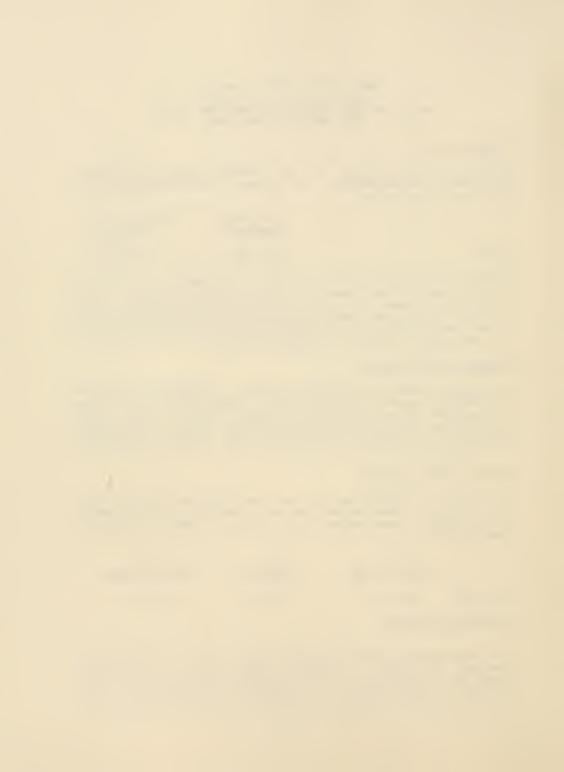
### 4. GENERAL FIXED ASSETS

The office records assets on the State's Property and Accountability Management System. A schedule of the change in the fixed asset balance from July 1, 1985 to June 30, 1987 follows:

	Balance	Net	Balance
	July 1, 1985	Additions	June 30, 1987
Equipment	\$68,831	\$90,168	\$158,999

### 5. PURCHASE CONTRACT

The Legislative Fiscal Analyst entered into an Installment Purchase Agreement to purchase a page printer in December, 1986. The contract is for a period of thirty-six months, payable in equal monthly installments of \$234.46 for a total of \$8,440.56, including interest at a rate of 9.5%, for a



### LEGISLATIVE FISCAL ANALYST

NOTES TO THE FINANCIAL SCHEDULES (CONT.)
JUNE 30, 1987 AND 1986

### PURCHASE CONTRACT (CONT.)

total interest charge of \$1,063.41, and total principle of \$7,377.15. Future payments are as follows:

Fiscal Year June 30	
1988	\$2,813.52
1989	2,813.52
1990	$\frac{1,406.76}{$7.033.80}$







# JUDY RIPPINGALE LEGISLATIVE FISCAL ANALYST

### STATE OF MONTANA

### Office of the Legislative Fiscal Analyst

STATE CAPITOL HELENA, MONTANA 59620 406/444-2986

October 6, 1987

Mr. James Wosepka Certified Public Accountant P.O. Box 1097 Beach, North Dakota 58621

Dear Mr. Wosepka:

I have reviewed your audit report and financial statements for fiscal years 1986 and 1987. Thank you and your staff for this report. It has been a pleasure to work with you.

Please let me know if I can be of further assistance.

Sincerely,

Judy Rippingale

Legislative Fiscal Analyst





